



United States Department of the Interior
Bureau of Land Management

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Environmental Assessment EA-AZ-110-06-0007

Project Title

Ultimate Exploration & Development LLC, Application for Permit to Drill

Location: NESW, Section 35, and NWNW, Section 23, T. 41 N., R. 7 W., G&SRM,
Mohave County, Arizona

Applicant/Address: 590 E. St. George Blvd., St. George, Utah 84770

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CHAPTER 1

INTRODUCTION AND NEED FOR THE PROPOSED ACTION

INTRODUCTION

Ultimate Exploration & Development LLC (Ultimate) is the lessee for federal oil and gas lease, AZA-33186. On October 5, 2005, the Arizona Strip Field Office (ASFO) received an Application for Permit to Drill (APD) for oil and gas exploration from Ultimate. The APD proposes to drill a well (Site 1) approximately two miles south of the Colorado City Municipal Airport, on lease AZA-33186, which was issued on August 29, 2005.

During July 2005, Ultimate had planned to drill an oil and gas well just south of the airport on private land (Site 2). A drill pad was constructed, the reserve pits excavated and the drill rig set up. At that location the surface estate is private, although the mineral estate is federal, which includes oil and gas. Ultimate mistakenly thought the mineral estate was also private; after they were informed it is federal, the well was not drilled. Now Ultimate intends to obtain an oil and gas lease for Site 2, on split estate, and drill there in the near future.

NEED FOR THE PROPOSED ACTION

The purpose of the proposed action is to gather new geologic information and to explore for oil and gas. This Environmental Assessment (EA) is being prepared to determine whether significant impacts to the environment would result from drilling the proposed exploratory wells.

This environmental assessment does not consider the development of oil production facilities. Should oil be discovered by the exploration activities additional environmental documentation and NEPA compliance would be necessary prior to production.

CONFORMANCE WITH BLM LAND USE PLANS

The proposed action is in conformance with the Arizona Strip District Resource Management Plan and Final Environmental Impact Statement (1992), as amended (1998); and the Shivwits Resource Area Implementation Plan for the Arizona Strip District Approved Resource Management Plan (1992).

The Resource Management Plan (RMP) provides the following management guidance: "The Mineral Leasing Act of 1920, the Geothermal Steam Act of 1970 and 43 CFR 3100-3500 provide the legal and regulatory framework for the issuance and management of mineral leases. These regulations apply where public interest exists for the development of oil, gas, geothermal, coal and non-energy leasable mineral resources. Stipulations are attached to leases and permits in order to ensure protection of non-mineral resources that are susceptible to impacts resulting from the exploration and development of leasable mineral resources."

The RMP states further, "Allow entire unit (District) to remain open to mineral leasing, location and sale except where restricted by wilderness designation, withdrawals, or specific areas

identified in this plan." Neither the proposed well (Site 1) nor the split estate location (Site 2) are identified in the RMP as being in restricted areas.

RELATIONSHIPS TO STATUTES, REGULATIONS AND OTHER PLANS

Oil and gas leasing and development are allowed under the authority of the following: the Federal Land Policy and Management Act of 1976, the Federal Onshore Oil and Gas Leasing Reform Act of 1987, the Energy Policy Act of 2005, and the regulations contained in 43 CFR 3100-3192.

CHAPTER 2 DESCRIPTION OF ALTERNATIVES

INTRODUCTION

This EA focuses on the Proposed and No Action alternatives. Issuance of a lease grants the lessee a right to conduct exploration and development, subject to the terms of the lease. Other alternatives considered but eliminated were drilling other locations on the lease. Lease AZA-33189 encompasses 640 acres, which corresponds to Section 35 and falls, nearly entirely, within a VRM Class II corridor. Drilling other locations on the lease would also fall within the VRM Class II corridor and thus have substantially the same impacts as drilling the proposed locations. Other locations on the lease are also environmentally similar to the proposed site. Therefore, this alternative was not considered further. The No Action alternative is considered and analyzed to provide a baseline for comparison of the impacts of the proposed action.

PROPOSED ACTION

1. Location, Access, and Drill Pad

The APD received by Ultimate Exploration & Development LLC on October 5, 2005, proposes to drill a well, Short Creek #2, on federal lease AZA-33189 in T. 41 N., R. 7 W., Section 35, NESW, G&SRM, Mohave County, Arizona, where both the surface and mineral estates are federal. A second well is proposed to be drilled on split estate (private surface and federal minerals) in T. 41 N., R. 7 W., Section 23, NWNW, G&SRM, Mohave County, Arizona. Prior to drilling the second well the operator would need to obtain a federal oil and gas lease for that location. The town of Colorado City is a short distance north of the proposed well sites. Appendix A is a general location map.

Access to Site 1 from Arizona State Route 389 is provided by traveling west and then south on an improved gravel road, Mohave County Route 5. The total distance along this road from Arizona State Route 389 to Site 1 is approximately 5¾ miles. From this point Ultimate has proposed to construct a temporary road about 400 feet in length, west to the proposed drill pad. Access to Site 2 from Arizona State Route 389 travels west along Mohave County Route 5 for a distance of approximately 2¾ miles then continues west for another 1¼ miles on an improved BLM gravel road. These locations are shown on Appendices B and C, respectively.

Ultimate has proposed to commence operations on lease AZA-33189 on or after December 2005, and has estimated the duration would be 90 days. Any operations on Site 2 would be contingent upon obtaining an oil and gas lease at that location. The applicant has stated the same methodology and equipment utilized at Site 1 would be used to drill Site 2 and no new access would be needed for Site 2.

Road construction is proposed from the county road to access the drill pad on lease AZA-33189 (See Appendix B). The new access road would be constructed on lease and would measure 20 x 400 feet. The grade of the road would be essentially level and no gates, fence cuts, cattle guards or culverts would be needed. No turnouts would be constructed on existing or proposed access roads. Any surface materials that are required would be either native materials from the location and/or access site or materials purchased from a private source. All travel would be confined to the drill pad location and access routes. The existing roads would be maintained, as necessary, in accordance with Mohave County and BLM standards.

The proposed drill pad on lease AZA-33189 is designed to be (200 x 250 feet) approximately 1.2 acres. The drill pad would be constructed for placement of a drill rig and associated equipment and facilities that are necessary to drill the well. Rig-associated equipment and facilities would include mud tanks, pumps, generators, a dog house (drillers' station), and pipe racks. A recreational vehicle to be used as living quarters would be on site, and various, small hand and power tools needed for drilling operations would be available.

A fresh water pit and reserve pit (both 40 x 60 feet and 8 feet deep) would be constructed adjacent to the drill pad. In areas of the pad where blading or excavation is necessary, 6 to 8 inches of surface soils would be stockpiled for later use in reclamation. The stockpiled topsoil would be signed and identified. Soils beneath the 6 to 8 inch surface layer would be stockpiled separately, and used to fill in the pits and recontour the drill pad. The stockpiles would be located adjacent to the drill pad. Including the new access road, stockpiles, and drill pad, the total proposed surface disturbance on lease AZA-33189 would be less than 1.5 acres. The surface disturbance on the private surface estate would be similar to that described for lease AZA-33189.

The fresh water pit would hold the make-up water to be mixed with foam (a non-toxic detergent compound) or drill mud. This water would be purchased from Colorado City. No water well would be drilled on this location.

Both pits would be constructed adjacent to the drill pad in cut material and would be lined with a plastic nylon reinforced liner. The liner would be a minimum of 12 mil thick with sufficient bedding (either straw or dirt) to cover any rocks. The liner would overlap the pit walls and be covered with dirt and/or rocks to hold it in place. The reserve pit would be used to hold drill cuttings and drilling water, foam and mud until they are dry. After drilling is completed, the pits would be allowed to dry and then the liner would be removed and hauled to an approved disposal site. The pits would be fenced on three sides during drilling operations and on the fourth side when the drill rig is removed. The pits would be fenced and maintained until the site is reclaimed. All pits would be fenced according to the following minimum standards.

- Four strands of barbed wire would be used to construct the fence the strands would be placed a heights of 12, 24, 36 and 48 inches.
- Corner posts would be cemented and/or braced in such a manner to keep the fence tight at all times. Standard steel, wood, or pipe posts would be used between the cornerbraces. Maximum distance between any two posts would be no greater than 16 feet.
- All wire would be stretched before it is attached to the corner posts.

2. Fuel Tanks, Fluid Wastes and Solid Wastes

A Fuel tank (2,000 gallons) would be located on the drill pad. The integrity of the tanks to contain fluids and operation of valves and hoses would be verified by the operator prior to their installation on the drill pad.

Any fluid produced during drilling tests or while making production tests would be collected in a test tank. Some oil and noxious fluids may be deposited in the reserve pit until the flow of such fluids can be diverted into storage tanks. Any spills of oil or other noxious fluids would be cleaned up and hauled to an approved disposal site. If any oil in the reserve pit is not immediately removed, the reserve pit would be covered with wire mesh to prevent birds and bats from entering. Produced water would be contained on site for a period not to exceed 90 days.

The burning of waste would not be allowed. All trash would be contained in a trash cage and hauled away to an approved disposal site, as necessary, to keep the project area free and clean from trash, litter, discarded materials, and debris. The project area would be maintained in a sanitary condition at all times. "Waste" is defined as all discarded matter including, but not limited to, human waste, trash, garbage, refuse, pipe, oil, oil drums, grease, petroleum products, ashes, concrete, construction materials, and equipment. Sealed chemical portable toilets would be on location during drilling operations.

3. Drilling

The exploratory well would be drilled to the permitted depth. Blow out preventer equipment would be installed on the casing head and tested to ensure control of borehole pressures and fluids. The well would be drilled with fresh water and weighted muds to maintain borehole pressures, the mud weight would be monitored to ensure proper weighting of the drilling fluid. Casing would be set and cemented, as necessary, to protect any groundwater zones, lost circulation zones, abnormal pressure zones and to isolate potentially productive hydrocarbon zones. Any ground water found in the drilling process would be reported to the BLM and the State of Arizona. All operations would conform to the requirements and guidelines of Onshore Oil and Gas Order No. 2.

The drilling plan has been reviewed by BLM geologists and petroleum engineers to evaluate adequacy of casing, cementing and ground water protection.

Drilling and testing would occur on a 24-hour basis. After drilling, favorable geologic intervals would be tested and logged with different borehole geophysical logging tools. Borehole logging units and portable tanks could be used depending on type of logs to be run in the borehole. Depending on weather and hole conditions, operations could take three to five months for drilling and 60 to 90 days for completion. Reclamation would commence within 30 days after completion. The proposed start date is on or after December 2005.

4. Reclamation for a Nonproducing Well

If hydrocarbons are not producible from the drilled well, then the borehole would be plugged and abandoned, as approved by the Authorized Officer. Prior approval would be obtained for abandonment operations and Form 3160-5 "Sundry Notices and Reports on Wells" would be filed with the BLM Field Office within 30 days following the completion of the well. Rehabilitation of the sites, as stipulated in the Conditions of Approval of this EA, would commence following the completion of the well. The proposed action includes the incorporation of BLM's Conditions of Approval, which are included as Appendix D. Ultimate has submitted the required lease bond to guarantee the performance of reclamation.

5. Action If Producing Hydrocarbons Are Found

If producible quantities of gas or oil are found, the well would be shut in pending the development of additional wells, production facilities and a transportation system.

Within 30 days after completion of the well, the location and surrounding area would be cleared of all unused tubing, equipment, debris, materials, trash, and junk not required for production. Any hydrocarbons in the pit would be removed in accordance with 43 CFR 3162.7-1. The liner would be removed and hauled to an approved disposal site before backfilling the reserve pit. The reserve pit and that portion of the location not needed for production facilities or operations would be recontoured to approximate natural contour. The reserve pit would be reclaimed within 120 days from the date of well completion. Before any ground work takes place, the reserve pit would have all fluids removed.

Facilities for the production of gas could include a condensate tank, meters, a pipeline, and an all weather access road. The entire drill site, except that portion needed for these facilities, would be reclaimed. Approximately ½ acre could be required for production facilities. The production facilities would be removed and the well would be plugged and abandoned after all gas reserves have been produced from the field. This could take as long as 30 to 40 years. Gas production ordinarily necessitates off lease pipelines and access. Rights-of-way would be required for pipelines and access located off lease.

Facilities for the production of oil could include a tank battery, a pump, meters and pipelines between the well head and the tank battery. A flaring system to burn off small amounts of natural gas might be required as well a pit or tank for produced water. Water produced in conjunction with oil is generally of very poor quality. Small amounts of produced water could be disposed of on site through evaporation. For larger amounts an application would be made for approval or permanent disposal method in compliance with NTL-2B. Oil probably would be

hauled by truck from the location to Salt Lake City, where the closest refineries are located. A very productive well would require about 5 truck loads per day.

Development of a producible field, including drilling production wells, production facilities, and a transportation system, is beyond the scope of this EA. If the well is producible, the lessee would provide additional plans to address production-related operations.

NO ACTION

Under the No Action Alternative, the APD, as proposed, would be denied and the lessee would not be allowed to drill the proposed location. BLM's authority to implement the No Action Alternative may be limited because oil and gas leases allow drilling in the lease area subject to the stipulations of the specific lease agreement. BLM can deny the APD if the proposal would violate lease stipulations, applicable laws and/or regulations and also can impose restrictions to prevent undue or unnecessary environmental degradation. If BLM were to deny the APD, the lessee under the lease terms has a right to drill at another location within the lease, subject to a site-specific environmental analysis. Or the lessee could attempt to reverse BLM's decision through administrative appeals, seek to exchange its lease for leases in other locations or seek compensation from the federal government. The outcome of these actions is beyond the scope of this EA as they cannot be projected or meaningfully analyzed at this time.

CHAPTER 3 AFFECTED ENVIRONMENT

INTRODUCTION AND GENERAL SETTING

The affected environment of the Proposed Action and No Action alternatives was considered and analyzed by an interdisciplinary team. This analysis has determined that the following critical elements of the human environment are not affected by the proposed action or alternatives or are not present:

- Areas of Critical Environmental Concern
- Environmental Justice
- Farmlands (Prime or Unique)
- Floodplains
- Native American Religious Concerns
- Threatened, Endangered or Candidate Plant Species
- Wetlands/Riparian Zones
- Wild and Scenic Rivers
- Wilderness

The affected environment is tiered to the Arizona Strip District Resource Management Plan and Environmental Impact Statement (1992), Affected Environment pages III-1 to III-58.

General Setting

The drill sites are south of the Colorado City Municipal Airport. The town of Colorado City has a population of approximately 4,000 and is located in the northeastern portion of Mohave County, Arizona. It is about 30 miles west of the town of Fredonia along State Route 398 and borders Utah. Appendix A is a general location map.

1. Physiography and Geology

The proposed drill sites are located on the Uinkaret Plateau within the Grand Canyon Section of the Colorado Plateau Physiographic Province. The Uinkaret Plateau is bounded by the Hurricane fault zone to the west and the Toroweap Fault to the east. This province is characterized by predominantly sedimentary rock exposures with a regular, gently dipping surface. In general, northerly trending normal faults, down thrown to the west, dominate the structural setting.

The drill sites are underlain by Quaternary colluvial deposits developed over the Upper Triassic Shinarump Member of the Chinle Formation. The Shinarump Member is a coarse-grained, fluvial, pebble conglomerate and conglomeratic sandstone. The colluvial deposits formed from this unit contain a large percentage of sand along with well rounded pebbles and cobbles of quartzite, black metamorphic clasts, and chert.

2. Topography and Soils

The proposed drill pad (Site 1) is approximately 2¾ miles south of the drill pad that is constructed on the private surface estate (Site 2). The topography is nearly flat to slightly undulating with occasional low rolling hills and rock outcrops.

Soils at both drill sites are well drained sandy loam (Barx) derived from the Shinarump Member of the Chinle Formation. The soil at Site 1 is colluvial while the soil at Site 2 has more of an alluvial component with the addition of sandy clay. At both sites, permeability is moderate, water capacity is high, and there is moderate to moderately high potential for wind and water erosion.

3. Climate

Elevations at the drill sites vary from approximately 4,880 ft. (Site 2) to 5,080 ft. (Site 1). The climate is semiarid, with occasional monsoonal moisture, characterized by moderate daily and annual ranges in temperature. Winters are mild and summers are hot. Spring and fall weather is variable from year to year and may exhibit extended fair mild weather or rain and snow storms. The average annual temperature ranges is estimated to be around 54° to 57° F., and transitory extremes are about 105° F. and 20° F. Average annual precipitation is approximately 10 inches of which, normally 15% comes in the fall, 27% comes in the winter, 22% comes in the spring, and 36% comes in the summer.

4. Vegetation

The principal vegetative type is that of a Sagebrush Steppe Community. Cool season grasses include, Indian ricegrass, Bottlebrush squirreltail and Needle 'n' thread. Warm season grasses include, Galleta, Blue grama and Sand dropseed. Shrubs or browse include, Mormon tea, Fourwing saltbush, and Winterfat. Other plant species include Red threeawn, Sand sagebrush, Pinyon pine, Juniper, Opuntia and Cholla cactus. The proposed sites were surveyed for threatened or endangered plant species and none were found.

5. Wildlife

The proposed well sites are on low quality pronghorn habitat located along the northern fringe of the approximately 800,000 acre area used by the Clayhole pronghorn herd. The Clayhole herd consists of less than 600 animals. The drill sites are in limited mule deer habitat, with a strip of winter crucial deer habitat in between the sites. Coyote, badger, jack rabbit, antelope ground squirrel, red-tailed hawk, golden eagle, raven, Great Basin rattlesnake, and various larks and sparrows are other kinds of animals commonly found on or near the proposed well sites. In winter, the area supports a greater abundance and a wider variety of raptors than in summer months. In general, the subject area is neither unique nor especially productive, but supports low densities of a variety of wildlife species typical of that habitat type.

6. Historical Uses

The proposed well sites are within the Short Creek Pasture of the Short Creek Grazing Allotment. The pasture encompasses 7,457 acres, with 32% Public Lands and contains a year round total of 152 AUMs. The allotment is managed under the best pasture grazing system. The Best pasture system involves the permittee, BLM and Range manager looking over all the pastures and concurring which pasture is best suited to be grazed next. This may depend on which pasture needs the rest and when the water is available or used up in the pasture or when grazing utilization is approaching 50% on key species, then the cattle are moved to another pasture or allotment. Over a period of time vegetation in each pasture will be rested during the growing season.

In general, the lands around the proposed well sites are considered to have recreation values for their geology, scenic view sheds, remoteness and solitude. Recreation activities include; OHV use, horseback riding, hiking, camping, hunting, rock collecting, photography bird watching and nature study.

Site 1 is within a Visual Resource Management (VRM) Class II corridor, which is associated with principal transportation routes. VRM Class II is defined as follows: Changes to the landform, vegetation or structures should be done very subtly. Proposed changes may be seen, but should not attract attention. Site 2 is within a VRM Class III area. VRM Class III is defined as follows: Scenic quality of lands with this classification may be good to very good, but when combined with other factors of how sensitive people are to changes and viewing distances, the overall class rating wasn't high enough to warrant the objectives of Class II. Management activities which affect the scenery should be designed or restricted so they are not obviously in

contrast to the existing landscape. Appendix E is a Visual Contrast Rating Worksheet that was completed for this proposal.

In the vicinity of the proposed wells, rights-of-way, issued by the BLM, are granted for a power line and Mohave County Route 5. The proposed access includes portions of the county road for which the right-of-way is granted.

Historically, this area has been explored for minerals under the General Mining Law of 1872, as amended. As of October 27, 2005, no mining claims are located on lands encompassed by the proposed well sites. A BLM community pit for sand and gravel is authorized, just south of the Colorado City Municipal Airport, approximately half a mile east of Site 2.

The subject lease is designated as Category 1 with standard lease terms for oil and gas leasing. No previous oil and gas wells have been drilled by this operator in the vicinity of this proposed well. Seismic exploration has not been conducted for the lessee in the vicinity of the proposed well. Sixteen exploratory oil and gas wells have been drilled within a 20 mile radius of the proposed well site by other companies over a span of many years. No production exists within the Arizona Strip District. No other mineral leases are held on these lands.

Air Quality

Air quality in the area is good with no industrial emissions or large volumes of highway traffic near the area. The major local nonpoint sources of air emissions are vehicles, which emit carbon monoxide and create fugitive dust on the dirt roads. Air quality is designated Class II under the Prevention of Significant Deterioration Regulations as mandated by the National Ambient Air Quality Standards as defined in the Clean Air Act. This classification means that air quality deterioration which accompanies the proposed action would not be considered significant.

Cultural Resources

There are no known archaeological sites or resources in the areas proposed for disturbance. Appendix F is a copy of Form AZ-8110 Cultural Resource Compliance Documentation Record.

Invasive, Non-native Species

There are currently no invasive, non-native species on the drill site pads but scotch thistle is known to be in the area. Protective measures to help minimize the threat of spreading noxious and invasive weeds, as well as, procedures for the eradication of noxious weeds resulting from the proposed action, are stipulated in the Conditions of Approval of this EA.

Threatened, Endangered or Candidate Animal Species

Bald eagle, California condor, and peregrine falcon may occasionally fly over the area. There are no riparian areas that would provide foraging habitat for peregrine falcon, bald eagle, or southwestern willow flycatcher. An experimental non-essential population (as defined under

section 10J of the Endangered Species Act) of California condors was established on the Vermillion Cliffs in 1996. These birds may eventually forage on carrion within the vicinity of the well sites, but have not yet been observed doing so. The BLM has surveyed the proposed drill sites and determined that no listed, proposed, or candidate species are known or suspected to occur within 5 miles of the drill sites.

BLM Sensitive and State Species of Concern

Ferruginous hawks and western burrowing owls are known to forage over grassland habitat similar to that found in the area, though specific sightings have not been recorded in the area of the proposed drill sites. Loggerhead shrikes may also use this area, as they are relatively common across much of the Arizona Strip. Special status bat species in grassland habitats such as this are typically limited to areas where there are caves, cliffs, and rocky areas for roosting and open waters for foraging. While a variety of bat species could use these areas, the paucity of roosting and foraging suggests that this area is poor quality habitat for special status bat species.

Wastes (hazardous or solid)

There are currently no wastes (hazardous or solid) in the vicinity of the proposed drill pad. Protective measures are proposed by the lessee to minimize the presence of wastes during operations. Mitigation measures to ensure all waste material, solid, liquid or hazardous is removed from public lands and disposed of in accordance with BLM regulations, at approved facilities. Attachment D is a list of the mitigation measures that would be incorporated into the operating standards and conditions of approval for the lessee's permit.

Water Quality (drinking/ground)

There are no perennial surface waters in the area and drainages are ephemeral. Approximately half a mile east-northeast of Site 2, standing water will accumulate in shallow ponds for short durations during extended periods of wet weather. The closest water well to Site 1 is a municipal well, used for domestic purposes, it is approximately two miles to the east, and the water level in the well is 230 feet below the surface. Four water wells are within two miles to the northeast of Site 2. They are used for domestic, stock and irrigation purposes. The water levels in the wells range from about 100 to 250 feet below the surface.

CHAPTER 4 ENVIRONMENTAL IMPACTS

DIRECT AND INDIRECT IMPACTS

PROPOSED ACTION

This chapter analyzes the impacts of the proposed action to those resources described in the affected environment chapter 3, above.

Only impacts that may result from implementing the proposed action or alternatives are described in this EA. If an ecological component is not discussed, it is because BLM resource specialists have considered effects to the component and found the proposed action or alternatives would have minimal or no effects.

General effects from projects similar to the proposed action or alternatives are also described in the document to which this EA is tiered. The environmental impacts are tiered to the Arizona Strip District Resource Management Plan and Environmental Impact Statement (1992), Appendix 27, Summary of Past Activity and Projections for Oil & Gas Development (Reasonably Foreseeable Development Scenario). In the RMP, it is estimated that one oil and gas exploration well would be drilled every two years. It is furthermore assumed that no production would be established from any of these exploratory wells and reclamation would be initiated immediately following exploration operations. Under this scenario, reclamation would be successful and all disturbed areas would be fully reclaimed within ten years of exploration operations.

General Setting

1. Physiography and Geology

The proposed action would have no impact on physiography. The local geology would be impacted by the discovery of economic deposits of oil and gas. Given the fact this area has moderate oil and gas potential, and that the closest wells drilled did not encounter any significant oil and gas resources, the probability is very low that economic development would occur on these tracts.

2. Topography and Soils

Less than 4 acres would be disturbed (including Site 1 and Site 2) to create relatively level drill pads and to construct access from the existing unpaved county road to Site 1. Lands affected by the drill pads and access road would be reclaimed. Signs, fences and any other improvements would be removed. Natural drainage patterns would be reestablished. The liners would be removed and hauled to an approved disposal site before backfilling the reserve pits. All disturbed areas would be contoured to approximate natural topography and "blend" in with the surrounding landscape, to the extent that is feasible. Topography should be impacted in the short-term. This impact would last for less than one year, if the well is dry. If the well is productive, interim reclamation would be performed on the areas not needed for production facilities and minor impacts to topography could last as long as 30 to 40 years.

Even though erosion hazard at the well sites and along the access roads is moderate for both wind and water erosion, the design of the well pad, maintenance of the access roads, and requirements for reclamation would prevent excessive erosion. Materials transported from other locations that are used in the construction of the proposed access road and drill pad could have an adverse impact on rehabilitation. If deemed necessary by the Authorized Officer, any material transported from another location that is used in the construction of the access road or drill pad would be removed, as practicable, and disposed of at an approved location.

The top 6 to 8 inches of soil is considered to be the uppermost soil horizon and is the most productive horizon for plant growth. Saving this topsoil for redistribution during reclamation would increase the likelihood of successful revegetation. Prior to the construction of the drill pads, in areas where blading or excavation is necessary, the lessee would strip the top 6 to 8 inches of topsoil from the undisturbed site and stockpile it adjacent to proposed pads. The stockpiled topsoil would be signed and identified.

At the conclusion of drilling, areas of the pads and new access road that were compacted due to operations would be ripped to a depth of at least 12 inches. This would promote water infiltration, aeration, and root penetration into the soil. The stockpiled topsoil would then be evenly redistributed and seeded. The proposed action would be mitigated to address seed bed preparation, seed mix and rate, drill seed depth, and season for seeding. These reclamation practices should be successful in reestablishing the productivity of reclaimed surfaces.

3. Climate

The proposed action would have no impact on climate.

4. Vegetation

Excavating vegetation from areas where construction is proposed and incorporating it in the topsoil stockpile would add native seed to the stockpile, while allowing vegetative decomposition to augment the humus in the soil, thus increasing productivity. The existing vegetation would be removed during construction and placed in the topsoil stockpile to decompose. During reclamation and immediately prior to seeding, disturbed areas including access roads, would be scarified to a depth of at least 1 inch. Reclaimed areas would not be recontoured to a smooth condition, but left in a slightly roughened condition to collect precipitation and to promote seed germination.

The seed mixture to be used will be specified by the BLM at the time of reclamation. The seed may be applied by rangeland drill or broadcast and harrow or other drag techniques as approved by the Authorized Officer. All seed used shall be certified minimum 90 % pure live seed and shall meet Arizona State requirements for weed free specifications. Seeding would be repeated until native vegetation attains 50% of the surrounding undisturbed cover, as determined by a method acceptable to the Authorized Officer. Reclamation efforts would re-establish grass, forb and shrub vegetation on the site in 2 to 5 years. However, it would take considerably more time to replace mature pinyon and juniper trees.

After reclamation a plant community similar to the one that preceded the proposed action should be reestablished. Low precipitation and the nature of the soil could delay revegetation; thus, the productivity of the reclaimed surface could temporarily be less than the undisturbed surface. Eventually, natural succession should restore the plant community to its predisturbed composition.

5. Wildlife

Less than 4 acres of wildlife habitat would be disturbed by drilling the proposed wells. The development of drill pads would displace most wildlife species during the construction and drilling phases. Burrows of small mammals would invariably be destroyed during the construction of the drill pads. Overall, the outright mortality of small mammals, reptiles and birds caused from construction activity would be low. The greatest impacts on these animals would be the loss of a small amount of habitat used for feeding, cover and nesting/reproduction. In effect, the animals would be forced into adjoining habitat to meet their feeding, cover and reproduction needs. Animals species would be expected to return to the area at the conclusion of operations and following revegetation. Wildlife habitat would not be substantially impacted.

Free standing water in the reserve pit could attract wildlife. However, only non-toxic drilling additives would be used and expelled into the pits. The pits would be fenced as described in the proposed action of this EA. This would assure the protection of wildlife resources to the extent possible. Any hydrocarbons, oil or noxious fluids that flow into the reserve pit and are poisonous to wildlife would be cleaned up and removed. If any oil in the reserve pit is not immediately removed the reserve pit would be covered with wire mesh screen.

6. Historical Uses

Livestock operations would not be adversely impacted by the proposed action. Stock reservoirs, including those which may provide seasonal wildlife water, would not be impacted. The construction of the drill pads would result in less than 4 acres of surface disturbance. The loss of forage to livestock would be insignificant and temporary.

The proposed action would have no or short-term minimal impact on recreation, primarily the driving for pleasure experience along Mohave County Road 5. Other recreation activities in the vicinity of the proposed drill sites would be minimally impacted, as there are abundant areas in the vicinity to enjoy recreational experiences such as OHV use, horseback riding, hiking, camping, hunting, rock collecting, photography bird watching and nature study.

During drilling operations, Visual Resource Management (VRM) Class II objectives would be exceeded for Site 1. High visual contrast would result from the presence of a large, vertical-oriented drill rig structure, the impacts to night sky conditions by 24-hour operations, and the overall removal of cover vegetation on the pad and road acreage, as viewed from Mohave County Road 5. If drilling results in a non-productible well, the completion and eventual success of reclamation efforts proposed for the site would achieve VRM Class II objectives for the long-term. Should a producible well be the result of drilling, further project analysis would require long-term mitigation (to a VRM Class II standard) of potential visual contrasts created by production facilities.

The proposed action includes maintaining a portion of Mohave County Route 5, which is authorized with a right-of-way. Mohave County Road Department would be contacted prior to any lease-related operations. The Authorized Officer would require that a copy of any written agreements between the lessee and Mohave County be filed with the BLM prior to conducting operations.

There would be no impacts on locatable, saleable or leasable minerals.

Air Quality

The construction of the drill pad, new access road, maintaining the existing county access road, and mobilization of crews during drilling operations would generate dust in the vicinity. Air quality would be decreased in the short term by fugitive dust and motor emissions. Dust would be abated by watering access roads, as necessary.

Gas from the borehole could be flared on the well site. Such operations may be necessary and is standard operating procedure when gas zones are penetrated during drilling. During flaring some particulates and aerosols would be emitted in to the atmosphere. To flare produced gas, a flare line is installed to direct the gas away from the drill rig to be burned at a safer location. Onshore Oil and Gas (Onshore) Order No. 2 requires a minimum distance of 100 feet from the well head. It also requires directing the flare line in the prevailing downwind direction from the well head. A small, shallow, unlined pit could be constructed at the end of the flare line to help control the flames while the gas is flared.

No toxic gases are anticipated to be encountered through drilling at this location. Hydrogen-sulfide gas is not present in the formations to be encountered by this well. Submittal and approval of a Hydrogen Sulfide Drilling Plan and Public Protection Plan is not required unless the 100 ppm threshold of Onshore Order No. 6 is exceeded.

Cultural Resources

Cultural surveys conducted on November 1 and 4, 2005, determined that no historic properties would be impacted by constructing drill pad at the proposed locations.

Invasive, Non-native Species

There could be potential for the spread of noxious and invasive weeds from drill equipment contaminated with weed seed and/or biomass, as well as, introduction from surrounding areas. To reduce this potential, the BLM would require the following measures be taken: The lessee would thoroughly power wash and remove all vegetative material and soil before transporting equipment to and from the drill site to help minimize the threat of spreading noxious and invasive weeds. This includes trucks, trailers, and all other machinery. The lessee would be responsible for the eradication of noxious weeds on disturbed areas within the limits of the drill site during operations. The lessee would be responsible for consultation with the authorized officer and local authorities for implementing acceptable weed treatment methods. Any use of chemical treatments would be made using only chemicals approved in BLM's EIS, and only after completing and getting a signed pesticide use proposal (PUP) from the BLM. A state certified applicator will complete the treatment and will abide by all safety and application guidelines as listed on the product label and Material Data Safety Sheet (MSDS).

Threatened, Endangered or Candidate Animal Species

In the unlikely event that California condors or any other listed, proposed, or candidate wildlife species visits the site during operation, conservation measures approved by the U.S. Fish and Wildlife Service would be used to mitigate any affects to the species.

BLM Sensitive and State Species of Concern

The BLM surveyed the proposed drill sites and has determined: Western burrowing owls could possibly use Site 1, but no appropriate size burrows were observed; Loggerhead shrikes probably use the area, as they are found regularly across most of the ASFO; Ferruginous hawks may occasionally use the area in winter, however, it is unlikely these species would be negatively impacted by the proposed action; and it is not likely the proposed action, as mitigated, would adversely impact any migratory bird species.

Wastes (hazardous or solid)

The proposed action would generate solid wastes including garbage and human waste. The lessee would provide portable sealed chemical toilets that would be serviced regularly. The burning of waste would not be allowed. All trash would be contained in a trash cage and hauled away to an approved disposal site, as necessary, to keep the project area free and clean from trash, litter, discarded materials, and debris. The project area would be maintained in a sanitary condition at all times.

Toxic and hazardous substances that may be produced, used, stored at, or transported to the drill site would create risks for people or wildlife. However, because of the lessee proposed and BLM requirements for such as lining of pits, fencing and covering of pits with netting, construction of berms around fuel storage tanks, and because lessee would not be using, producing, storing, transporting or disposing of over 10,000 pounds of any chemical or chemicals on the Consolidated List of Chemicals Subject to Reporting under Title III of the Superfund Amendments Reauthorization Act (SARA), or utilizing extremely hazardous substances as defined in 40 CFR 355, the risks to wildlife and people from toxic and hazardous substances would be very low. Any other release would be addressed by the Resource Conservation and Recovery Act (RCRA) procedures.

Water Quality (drinking/ground)

Seasonal fluctuations in precipitation and the water table, near Site 2, can result in the saturation of surface soils.

The lessee has proposed lining the reserve pit with a reinforced nylon liner. Other precautionary measures would be required to ensure protection of surface or near surface ground water in the local aquifer. These measures would include:

- If lubricants are drained from equipment, then a thick plastic liner would be required under the equipment to collect any spilled material. This spilled material would be drained from the liner and disposed with other petroleum based fluids. No material would be allowed to drain on the ground. If soils or the ground are accidentally

contaminated by fuels, lubricants or other hazardous materials, such materials would be removed from the public lands and disposed of at an approved disposal site. If necessary, the lessee would be required to collect soil samples below the spill to assure that all hydrocarbon-contaminated soils are removed. If vegetation is contaminated, it would be collected, bagged and disposed at an approved facility.

- Earthen dikes would be required around fuel tanks to contain accidental spills. They would be required to exceed the capacity of the largest tank by 50% and be lined with compacted clay or an artificial liner. Non-abrasive padding may be placed under the tank to provide stability as long as the integrity of the liner is not compromised.

Subsurface ground water may be present in bedrock units. Ground water is present within porous, permeable strata (aquifers). Vertical migration between aquifers is retarded by impermeable strata (aquitards). An adequate mud, casing, and cementing program, as proposed, should prevent contamination of aquifers.

Operations would be conducted in accordance with Onshore Order No. 2. Drilling would be accomplished with an appropriately weighted drilling fluid to maintain borehole pressures and well control. Order #2 requires that all usable water zones, potentially productive zones, lost circulation zones, abnormally pressured zones, and any prospectively valuable mineral deposits would be cased and cemented or plugged and abandoned. All indications of usable water would be reported as required by the Onshore Order No. 2.

If the well is plugged and abandoned, approval is required by the Authorized Officer prior to abandonment. Cement plugs would be set in accordance with Order #2 to protect and/or isolate zones that contain fluid with a potential to migrate within the borehole.

All drilling-related fluids would be contained in the reserve pit or holding tanks. A minimum of two (2) feet of freeboard would be required in the reserve pit. Upon completion of drilling operations, the reserve pit would have all fluids and hydrocarbons removed. Disposal of fluids produced during the completion operation would be in accordance with Onshore Order No. 7.

If the proposed well is not producible and usable water is encountered, then the well could be plugged and abandoned by the operator a depth below the usable water zone to retain the capability of water production from the well. Then, the well could be administratively converted for use in the BLM's range or wildlife programs. In this case, the operator would reclaim the site as described for a nonproducing, hydrocarbon well, except the access and pad would not be totally reclaimed. The newly constructed access would be reduced in width to approximately 12 feet, and a portion of the pad around the converted water well would remain for water production facilities. Approximately 1 acre would remain unreclaimed for the water production facilities and for access onto the pad.

The BLM would assume all costs and responsibilities for conversion of the water well beyond the costs normally incurred when plugging and abandoning a well. The BLM would be responsible for installing any water pump in the borehole and placing a generator and storage

tank near the well head. Final reclamation of the remaining disturbed area and access used for water production would be the responsibility of the BLM.

NO ACTION

The no action alternative would not meet the need for the proposed action, and the opportunity to collect new geologic information and explore for oil and gas would be forgone. There would be no environmental impacts from the proposed action because it would be denied.

When a lease is issued by the U. S. Government (the lessor) to a company (the lessee), a right is granted to conduct exploration and development, subject to the terms of the lease. The Authorized Officer has the right to deny a specific proposed action based on site-specific environmental impacts as addressed under Section 6 for "Conduct of Operations" in the lease terms. However, the lessee would still have the right to drill on some portion of the lease, since the lease did not contain a stipulation that disallowed occupancy on leased lands.

CUMULATIVE IMPACTS

Historically, man's activities in the area have included livestock grazing; recreational use; power transmission lines; oil and gas exploration; solid minerals exploration and mining; and associated roads, which have resulted in changes in vegetation and in erosion.

Geophysical exploration for oil and gas using seismic and gravity surveys were conducted during the late 1970s and early 1980s. The ASFO has been only lightly explored for oil and gas with approximately 55 wells having been drilled to date. Exploration has taken place sporadically over the years with increased activity during the 1950s, 1960s and 1980s. Oil and gas shows have been reported from many of the wells. So far no economic occurrences of oil and gas have been encountered.

The disturbance caused by each well, including access, typically ranges between five and ten acres. Assuming an average of seven acres disturbed per well, approximately 385 acres have been disturbed on the ASFO because of oil and gas exploration. Presently, there is one oil and gas well drilling operation in the Lower Hurricane Valley that is not reclaimed. Approximately, five acres is disturbed by the road and the drill pad for this operation. The lessee has submitted a notice to plug and abandon the drill hole. Reclamation of this operation should be completed in the near future. All of the other oil and gas drill sites have been reclaimed.

Since no wells have been drilled in recent years, in proximity to the proposed exploration site, no long term cumulative impacts from exploration for oil and gas are predicted. Given the moderate potential for the existence of oil deposits, and the fact that wells drilled on the ASFO have not encountered any oil and gas resources, the probability is very low that this well would be successful and oil field development would occur. If oil is encountered, the cumulative impacts of field development would be addressed in additional NEPA compliance which would be initiated at that time. The cumulative impacts of the proposed action are within the guidelines that were predicted and analyzed in the Arizona Strip District Resource Management

Plan and Environmental Impact Statement (1992), Appendix 27, Summary of Past Activity and Projections for Oil & Gas Development.

Livestock grazing and recreation are the primary resource uses in the area of the proposed action. Impacts from these uses, in addition to the proposed action, would cause cumulative impacts to occur. Cumulative use of access roads by persons engaged in recreation activities and/or livestock grazing in addition to the proposed action would cause degradation of roads and reduced air quality from fugitive dust. Degradation to roads would be minimized by routine BLM, Mohave County and Ultimate maintenance. Poor air quality caused by fugitive dust would be short term.

RESIDUAL IMPACTS

No residual impacts would remain after the application of all mitigation measures and operating standards. Refer to Appendix D for a complete list of all mitigation measures and operating standards.

CHAPTER 5 CONSULTATION AND COORDINATION

This EA was prepared by the Bureau of Land Management, Arizona Strip Field Office, 345 East Riverside Drive, St. George, Utah. Public involvement has included posting a copy of Ultimate's Application for Permit to Drill in the Information Center at the Interagency Office at 345 East Riverside Drive in St. George, Utah on October 6, 2005 for public review. No comments were received from the public.

Project Lead: Rody Cox

Internal Reviewers:

Gloria Benson, Native American Coordinator

Tom Folks, Recreation

Laurie Ford, Lands/Realty/Minerals

Becky Hammond, Office Manager

Michael Herder, Wildlife

John Herron, Cultural

Lee Hughes, Plants

Ray Klein, Law Enforcement, G-C Parashant

Linda Price, S&G

Bob Sandberg, Range

Bob Smith, Watershed & HazMat

Richard Spotts, Environmental Coordinator

Ron Wadsworth, Law Enforcement

L. D. Walker, Noxious Weeds

Reviewed by Arizona Strip Field Office Planning and Environmental Coordinator (P&EC)

Richard Spotts,
P&EC

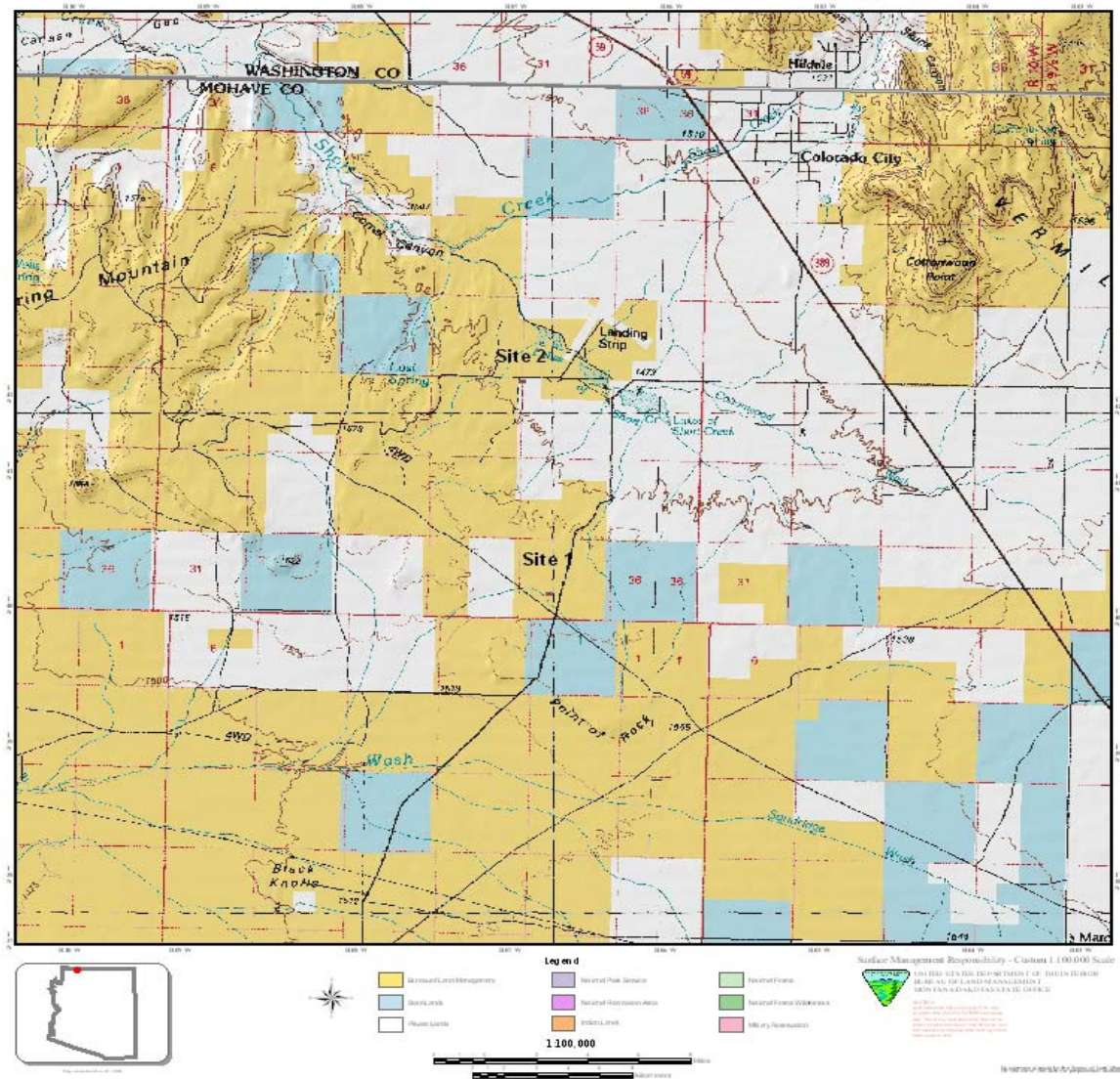
Date

General Location Map

Ultimate Construction's Proposed Well Sites

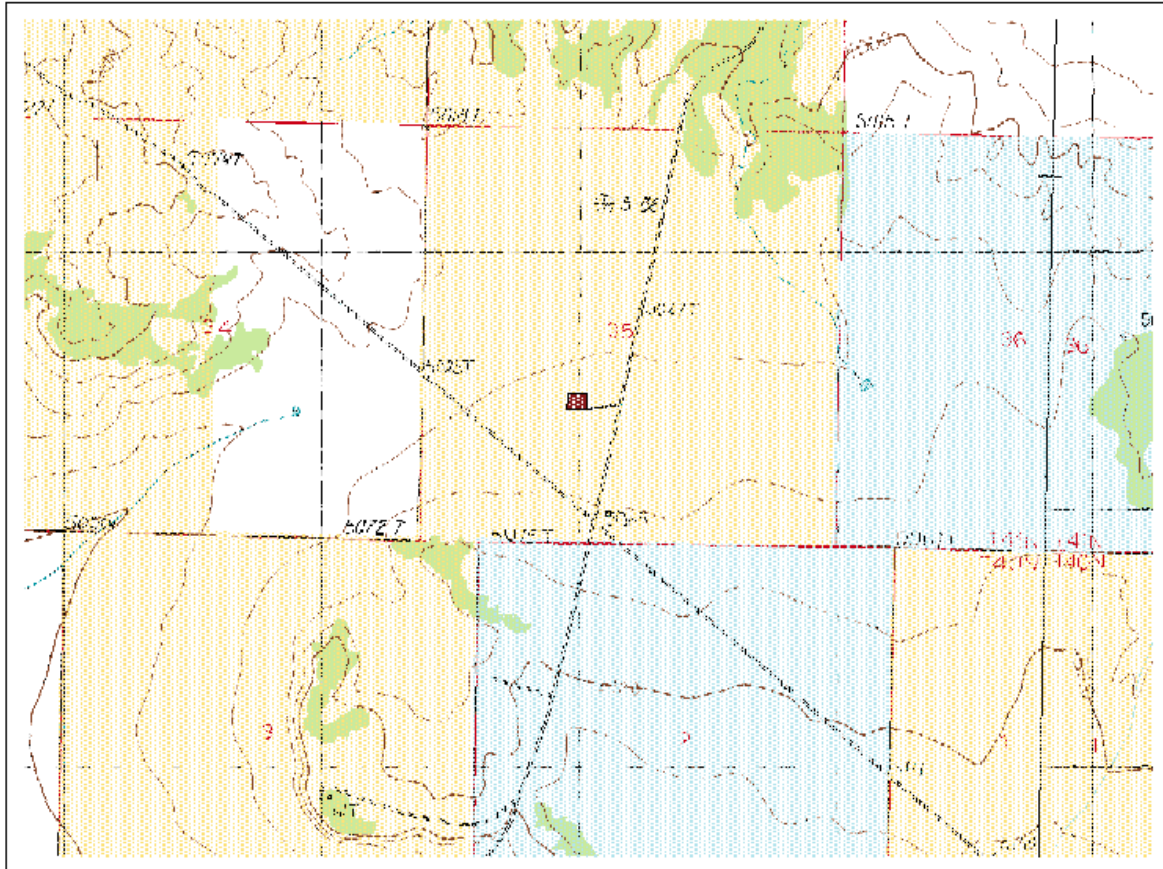
State of Arizona

Surface Management Responsibility - Custom 1.101.000 Scale



APPENDIX B

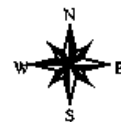
Ultimate Construction Application for Permit to Drill **Lease Number AZA-33189**



Legend

0 0.2 0.4 0.6 0.8 1 Miles

Scale 1:24,000



Access road

Proposed location for well site

BLM

State

Private

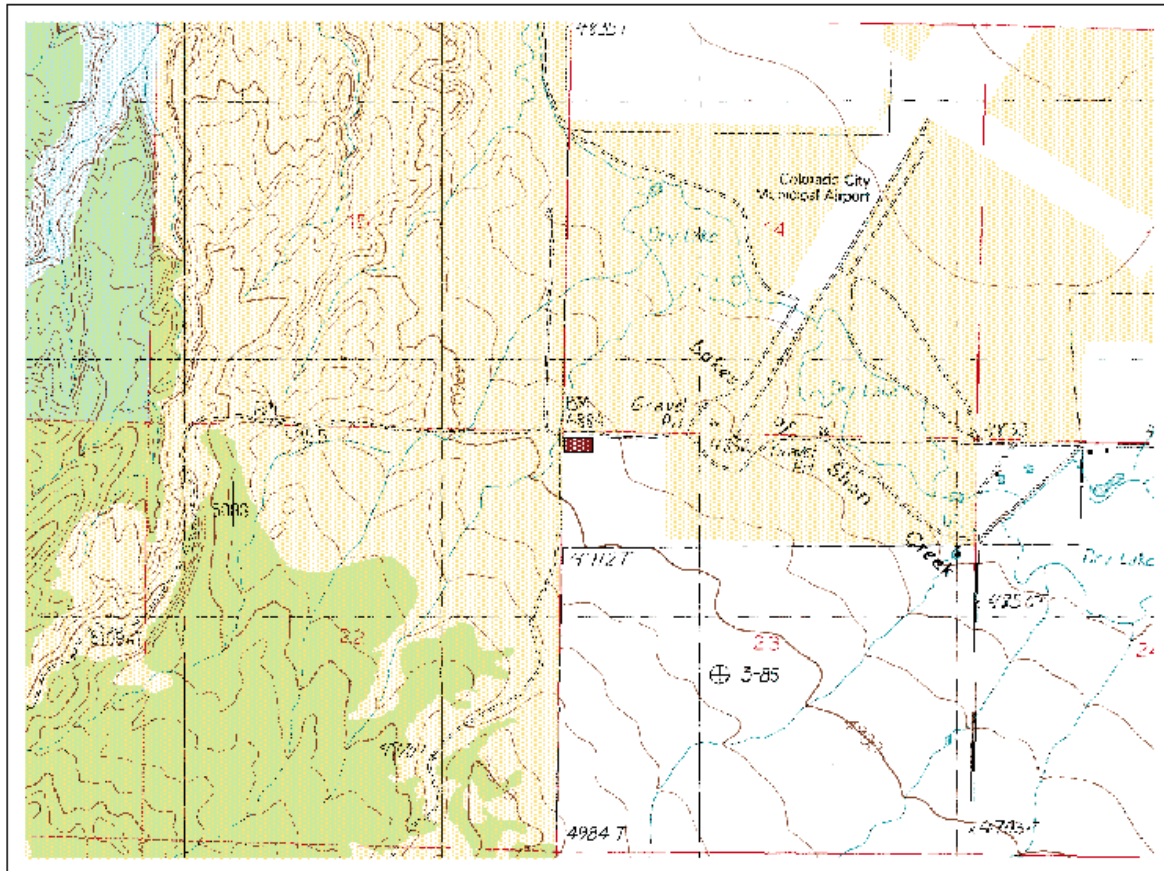
T41N
R7W
Section 35 NESW

Lost Spring Mountain East Quadrangle
Arizona-Mohave Co.
7.5 Minute Series (Topographic)

Well Site Location Map

APPENDIX C

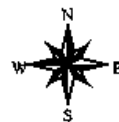
Ultimate Construction Future Proposal Application for Permit to Drill







Legend

0 0.2 0.4 0.6 0.8 1 Miles

Scale 1:24,000



-  Proposed location for well site
-  BLM
-  State
-  Private

T41N
R7W
Section 23 NWNW

Lost Spring Mountain East Quadrangle
Arizona-Mohave Co.
7.5 Minute Series (Topographic)

Well Site Location Map

APPENDIX D

Mitigation Measures

If a decision is made to approve the proposed action, then the following mitigating measures would be included as conditions of approval:

I. Please Note:

All lease and/or unit operations would be conducted in such a manner that full compliance is made with applicable laws, regulations (43 CFR parts 3100, 3160 and 3180), lease/agreement terms, Onshore Oil and Gas Orders, Notice to Lessee's, and this approved plan of operation.

A copy of the approved application and these conditions would be maintained on location during all construction and drilling operations. Deviation from the approved plan without prior approval would not be allowed.

The operator would be fully responsible for the actions of his subcontractors.

Operators have the responsibility to assure that activities authorized by this permit are conducted in a manner that complies with other applicable Federal, State, and local laws and regulations.

Approval of this application does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

This Application for Permit to Drill (APD) would be valid for one year from the date of approval, provided the lease does not expire. If activities have not commenced by the end of the one-year period, the APD would be returned to the operator without prejudice. Should the operator still desire to drill the well, a new APD must be submitted to this office. Upon written request by the operator, a one-time one year extension to this time period may be granted by the Authorized Officer.

Failure to comply with the provisions of this permit, including applicable regulations, stipulations, and/or approval conditions, would be considered a violation subject to the enforcement provisions of 43 CFR Subpart 3163.

If fill materials are needed to maintain roads or well sites, proper permits must be obtained from the appropriate surface owner. On BLM administered lands, the use of materials would conform with 43 CFR §3610.2-3.

II. Required Notifications:

The operator or contractor would contact the BLM, Arizona Strip Field Office at least 48 hours prior to commencement of access and site construction or reclamation activities. (Contact: Rody Cox (435) 688-3244,).

The operator would contact the BLM, Utah State Office, Branch of Fluid Minerals, , at least 24 hours prior to the following operations (Contact: Al McKee (801) 539-4045, FAX (801) 539-4200):

- spudding (including dry hole digger or rig hole rigs);
- running and cementing all casing strings;
- pressure testing of BOPE or any casing string.
- pressure integrity test (mud weight equivalency test) of each casing shoe.

In the case of newly drilled dry holes, and in any emergency situation, after hour authorization may be obtained by contacting the following individuals, in the order listed:

Utah State Office, BLM, Branch of Fluid Minerals

Al McKee (801) 201-2048 (Cell)
Petroleum Engineer

Robert Henricks (801) 484-2294 (Home)
I&E Coordinator

If unable to reach any of the above individuals, please call the following:

Rody Cox (435) 986-3868 (Home)
Geologist

III. Conditions of Approval:

A. Drilling Plan - The Eight Point Plan of the Application for Permit to Drill would be supplemented as follows:

1. Cement for the 8- $\frac{5}{8}$ " surface casing would be brought up to ground level. (Onshore Order No. 2, *Drilling Operations - III.B.1.c*)
2. All formations containing usable quality water (less than 10,000 ppm) would be protected via cement by bring the cement at least $\pm 200'$ above the usable quality water zone. To determine cement top and quality, either a CBL or CET would be run after setting the 5- $\frac{1}{2}$ " production casing.
3. If an air compressor is on location and being utilized to provide air for the drilling medium, the specialized equipment listed in Onshore Order No. 2. Part III. E. *Special Drilling Operations* would be in place and operational. This equipment includes:
 - Rotating Head
 - Bloopie line discharge 100 feet from wellhead
 - Deduster equipment
 - Float valve above the bit

- Automatic igniter on the blooie line

4. Daily drilling and completion progress reports would be submitted to the Arizona Strip Field Office on a weekly basis, and would include daily mud reports.
5. No specific variances were requested nor approved from the minimum standards of Order Nos. 2 and 6.
6. Operations authorized by this permit would not be suspended for more than 30 days without prior approval of the Authorized Officer. All conditions of this approval would be applicable during any operations conducted with a replacement/completion rig.
7. Two copies of all logs, and a single copy of core descriptions, core analyses, drill stem tests, well-test data, geologic summaries, sample descriptions, and all other surveys or data obtained and compiled during the drilling and/or completion operations would be submitted to the BLM, Arizona Strip Field Office, 345 East Riverside Drive, St. George, Utah, 84790.
8. Pursuant to NTL-4A, gas produced from this well may be vented or flared during the initial well evaluation test, not to exceed 30 days or 50 MMCF of gas, whichever occurs first. An application must be filed with the Authorized Officer and approval received for any venting/flaring beyond the initial test allowance.
9. Section (102)(b)(3) of the Federal Oil and Gas Royalty Management Act of 1982, as implemented by the applicable provisions of the operating regulations at Title 43 CFR 3162.4-1 (c), requires that "not later than the 5th business day after any well begins production on which royalty would be due anywhere on a lease site or allocated to a lease site, or resumes production in the case of a well which has been off production for more than 90 days, the operator would notify the Authorized Officer by letter or sundry notice, Form 3160-5, or orally to be followed by a letter or sundry notice, of the date on which such production has begun or resumed."

Failure to comply with the royalty notice requirement in the manner and time allowed would result in a civil penalty of up to \$10,000 per violation for each day such violation continues, not to exceed a maximum of 20 days. See Section (109)(c)(3) of the Federal Oil and Gas Royalty Management Act of 1982, and the implementing regulations at 43 CFR 3162.4-1(c) and 3163.2 (e) (2).

B. Surface Use Plan of Operations - The 13 Point Plan of the Application for Permit to Drill would be supplemented as follows:

1. (a) Any surface, or sub-surface archaeological, historical, or paleontological remains not covered by the CRPR discovered during preparation or actual work would be left intact; all work in the area would stop immediately and the Authorized Officer would be notified. Commencement of work would be allowed upon clearance by the Authorized Officer in consultation with the Archaeologist.

(b) An additional archaeological survey would be required in the event the proposed project location is changed, or additional surface disturbing activities are added to the project after the initial survey. Any such survey would have to be completed prior to commencement, or continuation of the project.

(c) If in connection with this work any human remains, funerary objects, sacred objects or objects of cultural patrimony as defined in the Native American Graves Protection and Repatriation Act (P.L. 101-601; 104 Stat. 3048; 25 U.S.C. 3001) are discovered, the lessee would stop operations in the immediate area of the discovery, protect the remains and objects, and immediately notify the Authorized Officer. The lessee would continue to protect the immediate area of the discovery until notified by the Authorized Officer that operations may resume.

2. The lessee would notify the BLM wildlife team lead or condor biologist if California condors visit the worksite while permitted activities are underway. Permit holders are encouraged to modify, relocate, or delay project activities where adverse affects to condors may result.
3. The burning of waste would not be allowed. All trash must be contained in a trash cage and hauled away to an approved disposal site as necessary to keep the project area free and clean from trash, litter, discarded materials, and debris. The project area would be maintained in a sanitary condition at all times. "Waste" is defined as all discarded matter including, but not limited to, human waste, trash, garbage, refuse, pipe, oil, oil drums, grease, petroleum products, ashes, concrete, construction materials, and equipment.
4. If lubricants are drained from equipment, then a thick plastic liner would be required under the equipment to collect any spilled material. This spilled material would be drained from the liner and disposed with other petroleum based fluids. No material would be allowed to drain on the ground. If soils or the ground are accidentally contaminated by fuels, lubricants or other hazardous materials, such materials would be removed from the public lands and disposed of at an approved disposal site. If necessary, the lessee would be required to collect soil samples below the spill to assure that all hydrocarbon-contaminated soils are removed. If vegetation is contaminated, it would be collected, bagged and disposed at an approved facility.
5. Earthen dikes would be required around fuel tanks to contain accidental spills. They would be required to exceed the capacity of the largest tank by 50% and be lined with compacted clay or an artificial liner. Non-abrasive padding may be placed under the tank to provide stability as long as the integrity of the liner is not compromised.
6. All drilling-related fluids would be contained in the reserve pit or holding tanks. A minimum of two (2) feet of freeboard would be required in the reserve pit. Upon completion of drilling operations, the reserve pit would have all fluids and hydrocarbons removed. Disposal of fluids produced during the completion operation would be in accordance with Onshore Order No. 7.

7. The Authorized Officer would require that a copy of any written agreements between the lessee and Mohave County be filed with the BLM prior to conducting operations. The lessee would be responsible for damage to roads caused by operations and would repair them to Mohave County standards.
8. Dust would be controlled by applying water or other means as approved by the Authorized Officer and in accordance with federal, state and local emission standards for air quality.
9. In areas of the pad where blading or excavation is necessary, 6 to 8 inches of surface soils would be stockpiled for later use in reclamation. The existing vegetation would be removed during construction and placed in the topsoil stockpile to decompose. The stockpiled topsoil would be signed and identified. Soils beneath the 6 to 8 inch surface layer would be stockpiled separately, and used to fill in the pits and recontour the drill pad. The stockpiles would be located adjacent to the drill pad.
10. At the first indication of oil or other noxious fluids, the reserve pit would be covered with wire mesh screen to prevent wildlife from entering the pit. All pits would be fenced according to the following minimum standards:
 - (a). Four strands of barbed wire would be used to construct the fence the strands would be placed a heights of 12, 24, 36 and 48 inches;
 - (b). Corner posts would be cemented and/or braced in such a manner to keep the fence tight at all times. Standard steel, wood, or pipe posts would be used between the corner braces. Maximum distance between any two posts would be no greater than 16 feet;
 - (c). All wire would be stretched before it is attached to the corner posts.
11. At the conclusion of drilling, signs, fences and any other improvements would be removed.
12. The reserve pit liners would be removed and hauled to an approved disposal site before backfilling the reserve pits.
13. Areas of the pads and new access road that were compacted due to operations would be ripped to a depth of at least 12 inches. If deemed necessary by the Authorized Officer, any material transported from another location that is used in the construction of the access road or drill pad would be removed, as practicable, and disposed of at an approved location.
14. Reclamation of the site would include contouring the location to approximate natural topography. Reclaimed areas would not be recontoured to a smooth condition, but left in a roughened condition to collect precipitation and to promote seed germination. The

stockpiled topsoil would then be evenly redistributed. Immediately prior to seeding, disturbed areas including access roads, would be scarified to a depth of at least 1 inch.

15. The seed mixture to be used would be specified by the BLM at the time of reclamation. The seed may be applied by rangeland drill or broadcast and harrow or other drag techniques as approved by the Authorized Officer. All seed used would be certified minimum 90 % pure live seed and would meet Arizona State requirements for weed free specifications. Seeding would be repeated until native vegetation attains 50% of the surrounding undisturbed cover, as determined by a method acceptable to the Authorized Officer.
16. There would be potential for the spread of noxious and invasive weeds from drill equipment contaminated with weed seed and/or biomass as well as coming in from the surrounding area and being able to get started because of the disturbance. To reduce this potential, the BLM would require the following measures be taken: The lessee would thoroughly power wash and remove all vegetative material and soil before transporting equipment to and from the drill site to help minimize the threat of spreading noxious and invasive weeds. This includes trucks, trailers, and all other machinery. The lessee would be responsible for the eradication of noxious weeds on disturbed areas within the limits of the drill site during the contract period. The lessee would be responsible for consultation with the authorized officer and local authorities for implementing acceptable weed treatment methods. Any use of chemical treatments would be made using only chemicals approved in BLM's EIS, and only after completing and getting a signed pesticide use proposal (PUP) from the BLM. A state certified applicator would complete the treatment and would abide by all safety and application guidelines as listed on the product label and Material Data Safety Sheet (MSDS).
17. Within 30 days of completion of drilling, the location would be cleared of all equipment, debris and materials not required for production.
18. If the proposed well is not producible and usable water is encountered, then the BLM Authorized Officer may request that the well be plugged and abandoned by the operator a depth below the usable water zone to retain the capability of water production from the well. Then, the well may be administratively converted for use in the BLM's range or wildlife programs. In this case, the operator would reclaim the site as described for a nonproducing, hydrocarbon well, except the access and pad would not be totally reclaimed. The newly constructed access would be reduced in width to approximately 12 feet, and a portion of the pad around the converted water well would remain for water production facilities. Approximately 0.25 acre would remain unreclaimed for the water production facilities and for access onto the pad. The BLM would assume all costs and responsibilities for conversion of the water well beyond the costs normally incurred when plugging and abandoning a well. The BLM would be responsible for installing any water pump in the borehole and placing a generator and storage tank near the well head. Final reclamation of the remaining disturbed area and access used for water production would be the responsibility of the BLM.

APPENDIX E

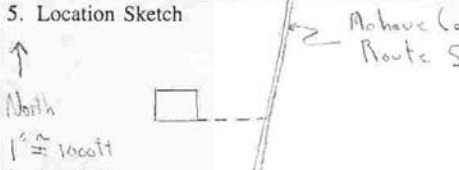
Form 8400-4
(September 1985)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

VISUAL CONTRAST RATING WORKSHEET

November 29, 2005
District Arizona Strip District
Resource Area Arizona Strip Field Office
Activity (program) Oil & Gas

SECTION A. PROJECT INFORMATION

1. Project Name Ultimate Expl & Dev APD	4. Location Township 41 N Range 7 W Section 35 NE SW	5. Location Sketch North 1" = 1000 ft Scale 1:12,000 
2. Key Observation Point Mohave Co Route 5		
3. VRM Class II		

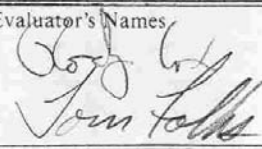
SECTION B. CHARACTERISTIC LANDSCAPE DESCRIPTION

	1. LAND/WATER	2. VEGETATION	3. STRUCTURES
FORM	flat to rolling terrain	Simple forms created by vegetative patterns	
LINE	horizontal undulating	Weak Vertical (grasses) Soft Irregular (trees)	
COLOR	Tans to Reddish Brown (Sandy Soils)	Yellows Light green (grasses) Dark green (Trees)	
TEXTURE	fine-grained granular fairly even	Sparse fine (grasses) to Medium (trees clumped)	

SECTION C. PROPOSED ACTIVITY DESCRIPTION

	1. LAND/WATER	2. VEGETATION	3. STRUCTURES
FORM	flat to rolling terrain	Slight geometric & linear forms created by clearing & road	
LINE	horizontal undulating	Weak Vertical (grasses)	
COLOR	Tans to reddish brown (Sandy Soils)	Yellows light green (grasses)	
TEXTURE	fine-grained granular fairly even	Sparse fine (grasses)	

SECTION D. CONTRAST RATING ☒ SHORT TERM ☐ LONG TERM No Production

1. DEGREE OF CONTRAST		FEATURES												2. Does project design meet visual resource management objectives? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No (Explain on reverse side)		
		LAND/WATER BODY (1)				VEGETATION (2)				STRUCTURES (3)						
		Strong	Moderate	Weak	None	Strong	Moderate	Weak	None	Strong	Moderate	Weak	None			
ELEMENTS	Form															Evaluator's Names  Date 11/29/05
	Line															
	Color															
	Texture															

SECTION D. (Continued)

Comments from item 2.

Rating was made based on a nonproducing well. Pad and road would be reclaimed, contoured, topsoil spread and disturbed areas seeded. While the drill rig is present strong vertical lines would dominate. A powerline is present nearby (west) of the proposed drill site.

Additional Mitigating Measures (See item 3)

APPENDIX F

Form AZ-8110-5
(June 1999)

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
ARIZONA STATE OFFICE

CULTURAL RESOURCE COMPLIANCE DOCUMENTATION RECORD

Project No: BLM - 110 - 2006 - 029 Project Name: Short Creek Oil Well #2

EA, Job or Case File No:

Institution:

Cultural Resource Use Permit No:

Inventory Method: ☒ Existing Data Review ☐ Class II ☒ Class III

Eligibility Recommendation (for sites located):

☒ No Cultural Properties present

Not-eligible sites (list site numbers):

Eligible sites (list site numbers):

Effect Recommendation (only on eligible sites from above):

☒ No Properties Affected ☐ No Adverse Effect ☐ Adverse Effect

Treatment Recommendations: (check and attach full description and map(s) as needed):

☐ Avoidance (by project redesign/cancellation, etc.)

☐ Physical or administrative protection measures

☒ Standard stipulations

☐ Special stipulations

☐ Data recovery (collection, excavation, detailed recording, etc.)

Consultation:

☒ Covered under PA, no further consultation required with SHPO or ACHP

Consultation required: ☐ SHPO ☐ Advisory Council ☐ Native Americans

Comments: None

Attachments: CRPR, standard stipulations

Signed (by archaeologist):

Date: 11/8/2005

John M. Nelson

**FINDING OF NO SIGNIFICANT IMPACT
AND
DECISION RECORD**

**Ultimate Exploration & Development LLC, Application for Permit to Drill
EA-AZ-110-06-0007**

Based on the analysis of potential environmental impacts contained in the attached environmental assessment, and considering the significance criteria in 40 CFR 1508.27, I have determined that the action will not have a significant effect on the human environment. An environmental impact statement is therefore not required.

Decision:

It is my decision to authorize the Ultimate Exploration & Development LLC, to drill an exploratory oil well on federal lease AZA-33189 in T. 41 N., R. 7 W., Section 35, NESW, G&SRM, and subject to obtaining a lease, drill a second well in T. 41 N., R. 7 W., Section 23, NWNW, G&SRM, as described in the proposed action of EA-AZ-110-06-0007. These lands are in Mohave County, Arizona.

All exploration and related activities must be carried out in conformance with all Onshore Oil and Gas Orders. This decision is contingent on meeting all of the Conditions of Approval. Conformance with these Orders and Conditions of Approval will insure that negative impacts to the environment and other resource values will be mitigated.

Attached is a list of the Mitigation Measures that specify Operating Standards and are the Conditions of Approval for this permit.

Adherence to the attached Conditions of Approval and BLM and State of Arizona regulations is mandatory. Surface activities will be monitored by the BLM Arizona Strip Field Office. The BLM Arizona State Office and the State of Arizona will monitor compliance with drilling, plugging and production requirements.

Rationale for the Decision:

This decision is in conformance with the Arizona Strip District Resource Management Plan and Final Environmental Impact Statement (1992), as amended (1998); and the Shivwits Resource Area Implementation Plan for the Arizona Strip District Approved Resource Management Plan (1992). In addition, this area is leased open to mineral leasing subject to standard lease terms and conditions.

The Mineral Leasing Act of 1920, the Federal Land Policy and Management Act of 1976, the Federal Onshore Oil and Gas Leasing Reform Act of 1987, the Energy Policy Act of 2005, and the regulations contained in 43 CFR 3100 provide the legal and regulatory framework for the issuance and management of oil and gas leases. This decision and the action it authorizes are in conformance with this legal and regulatory framework.

No significant adverse environmental impacts resulting from implementation of this proposed action were identified in Environmental Assessment (EA) AZ-110-2006-0007. This EA provided for mitigation of potential adverse impacts to resource values.

Becky J. Hammond
Field Manager

Date of signature

Operating Standards/Conditions of Approval

I. Please Note:

All lease and/or unit operations will be conducted in such a manner that full compliance is made with applicable laws, regulations (43 CFR parts 3100, 3160 and 3180), lease/agreement terms, Onshore Oil and Gas Orders, Notice to Lessee's, and this approved plan of operation.

A copy of the approved application and these conditions shall be maintained on location during all construction and drilling operations. Deviation from the approved plan without prior approval is not allowed.

The operator is fully responsible for the actions of his subcontractors.

Operators have the responsibility to assure that activities authorized by this permit are conducted in a manner that complies with other applicable Federal, State, and local laws and regulations.

Approval of this application does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

This Application for Permit to Drill (APD) shall be valid for one year from the date of approval, provided the lease does not expire. If activities have not commenced by the end of the one-year period, the APD shall be returned to the operator without prejudice. Should the operator still desire to drill the well, a new APD must be submitted to this office. Upon written request by the operator, a one-time one year extension to this time period may be granted by the Authorized Officer.

Failure to comply with the provisions of this permit, including applicable regulations, stipulations, and/or approval conditions, will be considered a violation subject to the enforcement provisions of 43 CFR Subpart 3163.

If fill materials are needed to maintain roads or well sites, proper permits must be obtained from the appropriate surface owner. On BLM administered lands, the use of materials shall conform with 43 CFR §3610.2-3.

II. Required Notifications:

The operator or contractor shall contact the BLM, Arizona Strip Field Office at least 48 hours prior to commencement of access and site construction or reclamation activities. (Contact: Rody Cox (435) 688-3244,).

The operator shall contact the BLM, Utah State Office, Branch of Fluid Minerals, at least 24 hours prior to the following operations (Contact: Al McKee (801) 539-4045, FAX (801) 539-4200):

- spudding (including dry hole digger or rig hole rigs);
- running and cementing all casing strings;
- pressure testing of BOPE or any casing string.
- pressure integrity test (mud weight equivalency test) of each casing shoe.

In the case of newly drilled dry holes, and in any emergency situation, after hour authorization may be obtained by contacting the following individuals, in the order listed:

Utah State Office, BLM, Branch of Fluid Minerals

Al McKee (801) 201-2048 (Cell)
Petroleum Engineer

Robert Henricks (801) 484-2294 (Home)
I&E Coordinator

If unable to reach any of the above individuals, please call the following:

Rody Cox (435) 986-3868 (Home)
Geologist

III. Conditions of Approval:

A. Drilling Plan - The Eight Point Plan of the Application for Permit to Drill will be supplemented as follows:

1. Cement for the 8-⁵/₈" surface casing shall be brought up to ground level. (Onshore Order No. 2, *Drilling Operations - III.B.1.c*)
2. All formations containing usable quality water (less than 10,000 ppm) shall be protected via cement by bring the cement at least ±200' above the usable quality water zone. To determine cement top and quality, either a CBL or CET shall be run after setting the 5-¹/₂" production casing.
3. If an air compressor is on location and being utilized to provide air for the drilling medium, the specialized equipment listed in Onshore Order No. 2. Part III. E. *Special Drilling Operations* shall be in place and operational. This equipment includes:
 - Rotating Head
 - Blooie line discharge 100 feet from wellhead
 - Deduster equipment
 - Float valve above the bit
 - Automatic igniter on the blooie line
4. Daily drilling and completion progress reports shall be submitted to the Arizona Strip Field Office on a weekly basis, and shall include daily mud reports.

5. No specific variances were requested nor approved from the minimum standards of Order Nos. 2 and 6.
6. Operations authorized by this permit shall not be suspended for more than 30 days without prior approval of the Authorized Officer. All conditions of this approval shall be applicable during any operations conducted with a replacement/completion rig.
7. Two copies of all logs, and a single copy of core descriptions, core analyses, drill stem tests, well-test data, geologic summaries, sample descriptions, and all other surveys or data obtained and compiled during the drilling and/or completion operations shall be submitted to the BLM, Arizona Strip Field Office, 345 East Riverside Drive, St. George, Utah, 84790.
8. Pursuant to NTL-4A, gas produced from this well may be vented or flared during the initial well evaluation test, not to exceed 30 days or 50 MMCF of gas, whichever occurs first. An application must be filed with the Authorized Officer and approval received for any venting/flaring beyond the initial test allowance.
9. Section (102)(b)(3) of the Federal Oil and Gas Royalty Management Act of 1982, as implemented by the applicable provisions of the operating regulations at Title 43 CFR 3162.4-1 (c), requires that "not later than the 5th business day after any well begins production on which royalty is due anywhere on a lease site or allocated to a lease site, or resumes production in the case of a well which has been off production for more than 90 days, the operator shall notify the Authorized Officer by letter or sundry notice, Form 3160-5, or orally to be followed by a letter or sundry notice, of the date on which such production has begun or resumed."

Failure to comply with the royalty notice requirement in the manner and time allowed shall result in a civil penalty of up to \$10,000 per violation for each day such violation continues, not to exceed a maximum of 20 days. See Section (109)(c)(3) of the Federal Oil and Gas Royalty Management Act of 1982, and the implementing regulations at 43 CFR 3162.4-1(c) and 3163.2 (e) (2).

B. Surface Use Plan of Operations - The 13 Point Plan of the Application for Permit to Drill will be supplemented as follows:

1. (a) Any surface, or sub-surface archaeological, historical, or paleontological remains not covered by the CRPR discovered during preparation or actual work shall be left intact; all work in the area shall stop immediately and the Authorized Officer will be notified. Commencement of work shall be allowed upon clearance by the Authorized Officer in consultation with the Archaeologist.
- (b) An additional archaeological survey shall be required in the event the proposed project location is changed, or additional surface disturbing activities are added to the project after the initial survey. Any such survey will have to be completed prior to commencement, or continuation of the project.

- (c) If in connection with this work any human remains, funerary objects, sacred objects or objects of cultural patrimony as defined in the Native American Graves Protection and Repatriation Act (P.L. 101-601; 104 Stat. 3048; 25 U.S.C. 3001) are discovered, the lessee shall stop operations in the immediate area of the discovery, protect the remains and objects, and immediately notify the Authorized Officer. The lessee shall continue to protect the immediate area of the discovery until notified by the Authorized Officer that operations may resume.
2. The lessee shall notify the BLM wildlife team lead or condor biologist if California condors visit the worksite while permitted activities are underway. Permit holders are encouraged to modify, relocate, or delay project activities where adverse affects to condors may result.
 3. The burning of waste will not be allowed. All trash must be contained in a trash cage and hauled away to an approved disposal site as necessary to keep the project area free and clean from trash, litter, discarded materials, and debris. The project area shall be maintained in a sanitary condition at all times. "Waste" is defined as all discarded matter including, but not limited to, human waste, trash, garbage, refuse, pipe, oil, oil drums, grease, petroleum products, ashes, concrete, construction materials, and equipment.
 4. If lubricants are drained from equipment, then a thick plastic liner will be required under the equipment to collect any spilled material. This spilled material shall be drained from the liner and disposed with other petroleum based fluids. No material shall be allowed to drain on the ground. If soils or the ground are accidentally contaminated by fuels, lubricants or other hazardous materials, such materials will be removed from the public lands and disposed of at an approved disposal site. If necessary, the lessee shall be required to collect soil samples below the spill to assure that all hydrocarbon-contaminated soils are removed. If vegetation is contaminated, it will be collected, bagged and disposed at an approved facility.
 5. Earthen dikes will be required around fuel tanks to contain accidental spills. They shall be required to exceed the capacity of the largest tank by 50% and be lined with compacted clay or an artificial liner. Non-abrasive padding may be placed under the tank to provide stability as long as the integrity of the liner is not compromised.
 6. All drilling-related fluids shall be contained in the reserve pit or holding tanks. A minimum of two (2) feet of freeboard is required in the reserve pit. Upon completion of drilling operations, the reserve pit will have all fluids and hydrocarbons removed. Disposal of fluids produced during the completion operation will be in accordance with Onshore Order No. 7.
 7. The Authorized Officer shall require that a copy of any written agreements between the lessee and Mohave County be filed with the BLM prior to conducting operations. The lessee is responsible for damage to roads caused by operations and will repair them to Mohave County standards.

8. Dust shall be controlled by applying water or other means as approved by the Authorized Officer and in accordance with federal, state and local emission standards for air quality.
9. In areas of the pad where blading or excavation is necessary, 6 to 8 inches of surface soils will be stockpiled for later use in reclamation. The existing vegetation will be removed during construction and placed in the topsoil stockpile to decompose. The stockpiled topsoil shall be signed and identified. Soils beneath the 6 to 8 inch surface layer will be stockpiled separately, and used to fill in the pits and recontour the drill pad. The stockpiles will be located adjacent to the drill pad.
10. At the first indication of oil or other noxious fluids, the reserve pit will be covered with wire mesh screen to prevent wildlife from entering the pit. All pits will be fenced according to the following minimum standards:
 - (a). Four strands of barbed wire will be used to construct the fence the strands will be placed a heights of 12, 24, 36 and 48 inches;
 - (b). Corner posts will be cemented and/or braced in such a manner to keep the fence tight at all times. Standard steel, wood, or pipe posts will be used between the corner braces. Maximum distance between any two posts will be no greater than 16 feet;
 - (c). All wire will be stretched before it is attached to the corner posts.
11. At the conclusion of drilling, signs, fences and any other improvements shall be removed.
12. The reserve pit liners shall be removed and hauled to an approved disposal site before backfilling the reserve pits.
13. Areas of the pads and new access road that were compacted due to operations shall be ripped to a depth of at least 12 inches. If deemed necessary by the Authorized Officer, any material transported from another location that is used in the construction of the access road or drill pad will be removed, as practicable, and disposed of at an approved location.
14. Reclamation of the site shall include contouring the location to approximate natural topography. Reclaimed areas will not be recontoured to a smooth condition, but left in a roughened condition to collect precipitation and to promote seed germination. The stockpiled topsoil shall then be evenly redistributed. Immediately prior to seeding, disturbed areas including access roads, shall be scarified to a depth of at least 1 inch.
15. The seed mixture to be used will be specified by the BLM at the time of reclamation. The seed may be applied by rangeland drill or broadcast and harrow or other drag techniques as approved by the Authorized Officer. All seed used shall be certified minimum 90 % pure live seed and shall meet Arizona State requirements for weed free specifications. Seeding will be repeated until native vegetation attains 50% of the

surrounding undisturbed cover, as determined by a method acceptable to the Authorized Officer.

16. There is potential for the spread of noxious and invasive weeds from drill equipment contaminated with weed seed and/or biomass as well as coming in from the surrounding area and being able to get started because of the disturbance. To reduce this potential, the BLM will require the following measures be taken: The lessee will thoroughly power wash and remove all vegetative material and soil before transporting equipment to and from the drill site to help minimize the threat of spreading noxious and invasive weeds. This includes trucks, trailers, and all other machinery. The lessee will be responsible for the eradication of noxious weeds on disturbed areas within the limits of the drill site during the contract period. The lessee will be responsible for consultation with the authorized officer and local authorities for implementing acceptable weed treatment methods. Any use of chemical treatments will be made using only chemicals approved in BLM's EIS, and only after completing and getting a signed pesticide use proposal (PUP) from the BLM. A state certified applicator will complete the treatment and will abide by all safety and application guidelines as listed on the product label and Material Data Safety Sheet (MSDS).
17. Within 30 days of completion of drilling, the location will be cleared of all equipment, debris and materials not required for production.
18. If the proposed well is not producible and usable water is encountered, then the BLM Authorized Officer may request that the well be plugged and abandoned by the operator a depth below the usable water zone to retain the capability of water production from the well. Then, the well may be administratively converted for use in the BLM's range or wildlife programs. In this case, the operator will reclaim the site as described for a nonproducing, hydrocarbon well, except the access and pad will not be totally reclaimed. The newly constructed access will be reduced in width to approximately 12 feet, and a portion of the pad around the converted water well shall remain for water production facilities. Approximately 0.25 acre shall remain unreclaimed for the water production facilities and for access onto the pad. The BLM will assume all costs and responsibilities for conversion of the water well beyond the costs normally incurred when plugging and abandoning a well. The BLM shall be responsible for installing any water pump in the borehole and placing a generator and storage tank near the well head. Final reclamation of the remaining disturbed area and access used for water production will be the responsibility of the BLM.



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Arizona Strip Field Office

345 East Riverside Drive

St. George, Utah 84790

Telephone (435) 688-3200 – Facsimile (435) 688-3258

<http://www.blm.gov>



In Reply Refer To:
3160 (110)

December 14, 2005

NOTICE OF DECISION

Ultimate Exploration & Development LLC, Application for Permit to Drill
EA-AZ-110-06-0007

Dear Interested Party:

Please be advised that an Environmental Assessment (EA) was prepared (EA-AZ-110-2006-0007) for the proposed exploratory oil and gas wells. This EA went through an interdisciplinary review process, and a Finding of No Significant Impact (FONSI) and Decision Record (DR) were approved. The EA, FONSI, and DR are public documents, and available upon request.

The project analyzed in the EA and authorized in the DR will allow Ultimate Exploration & Development LLC, (Ultimate) to drill an exploratory oil and gas wells on federal lease AZA-33189 in T 41 N., R. 7 W., Section 35, NESW, G&SRM, and subject to obtaining a lease, drill a second well in T. 41 N., R. 7 W., Section 23, NWNW, G&SRM.

Ultimate is the lessee for federal oil and gas lease, AZA-33186. On October 5, 2005, the Arizona Strip Field Office (ASFO) received an Application for Permit to Drill (APD) for oil and gas exploration from Ultimate.

The APD proposes to drill a well approximately two miles south of the Colorado City Municipal Airport, on lease AZA-33186, which was issued on August 29, 2005. A second well is proposed to be drilled on split estate (private surface and federal minerals) approximately ¼ mile west of the Colorado City Municipal Airport.

The project is in conformance with the Arizona Strip District Resource Management Plan and Final Environmental Impact Statement (1992), as amended (1998); and the Shivwits Resource Area Implementation Plan for the Arizona Strip District Approved Resource Management Plan (1992). A No Action Alternative was analyzed in the EA. This EA provided for mitigation of potential adverse impacts to resource values.

This decision is effective upon the date it is signed by the authorized officer. The decision is subject to appeal. Under BLM regulation, this decision is subject to administrative review in accordance with 43 CFR 3165. Any request for administrative review of this decision must include information required under 43 CFR 3165.3(b) (State Director Review), including all supporting documentation. Such a request must be filed in writing with the State Director,

Bureau of Land Management, Arizona State Office, One North Central Avenue, Phoenix, AZ, 85004, within 20 business days of the date this decision is received or considered to have been received.

If you wish to file a petition for stay, the petition for stay should accompany your notice of appeal and shall show sufficient justification based on the following standards:

- (1) The relative harm to the parties if the stay is granted or denied;
- (2) The likelihood of the appellant's success on the merits;
- (3) The likelihood of irreparable harm to the appellant or resources if the stay is not granted;
and,
- (4) Whether the public interest favors granting the stay.

For more information or to request a copy of the EA, FONSI, or DR, please contact Rody Cox at (435) 688-3244.

Sincerely,

Becky J. Hammond
Field Manager